



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

TO: Participating Schools and Lenders

FROM: Diane Todd Sprague, Director

DATE: October 20, 2006

SUBJECT: Educational Loan Notes

DEFAULT AVERSION SYMPOSIUM

The second installment of The Michigan Guaranty Agency's Default Aversion Symposium Series entitled, *Methodologies, Research, and Exploration: Getting Help to Those Who Need It Most*, is scheduled for Tuesday, November 21, 2006, at the Kellogg Center in East Lansing. This installment will focus on successfully proven methodologies and research techniques that will allow schools to better understand and identify students who may be more likely to default, thereby allowing schools to better allocate resources to those who need it most. MGA is pleased to welcome Dr. Sandy Baum as the keynote speaker.

Dr. Baum is a Professor of Economics at Skidmore College and a Senior Policy Analyst at the College Board. She earned her B.A. in sociology at Bryn Mawr College and her Ph.D. in economics at Columbia University. Dr. Baum has written extensively on issues relating to college access, college pricing, student aid policy, student debt, affordability, and other aspects of higher education finance.

Dr. Baum is the co-author of *Trends in Student Aid*, *Trends in College Pricing*, and *Education Pays: The Benefits of Higher Education for Individuals and Society* for the College Board. Other recent work includes studies of setting benchmarks for manageable student debt levels and of tuition discounting in public and private colleges and universities. Dr. Baum has served as consulting economist to the College Board's Financial Aid Standards and Services Advisory Committee since 1988 and has worked with a variety of other higher education organizations, in addition to individual colleges and universities.

In addition to Dr. Baum, two breakout sessions are planned with one focusing on the steps involved in conducting a research project and the other focusing on the steps to implement a default aversion plan. Attendees will have the opportunity to participate in both sessions.

(Continued on the next page.)



INSIDE THIS ISSUE



Average Borrower Indebtedness	Page 2
Cohort Default Rates: National and Michigan Schools.....	Page 2
2006 Common Manual and Web Site Available.....	Page 2
A Fond Farewell	Page 2
MGA Collaborates to Help Disadvantaged Michigan Students	Page 3
College Goal Sunday 2007.....	Page 3
Special Allowance Rates.....	Page 3
Special Allowance on Tax-exempt Loans	Page 4
Change in Monthly PIF Sweep.....	Page 4
"ED" Pipeline.....	Page 4
Lender List Updates	Page 4
School List Updates	Page 5
"Q" and "A"	Page 5
Calendar of Upcoming Events.....	Page 7

Representatives from the U.S. Department of Education (ED) Federal Student Aid Default Prevention group attended the Michigan Student Financial Aid Association (MSFAA) Summer Training to kick-off the Michigan Statewide Default Prevention Project with the goal of further engaging Michigan schools in default prevention activities. The symposium is designed to assist MSFAA in this endeavor.

Information and registration is available at mgaloan.com in the What's New area. If you have any questions please contact Toots Lapata-Victorson at 1-800-642-5626, extension 30296, or via email at victorsont@michigan.gov.

AVERAGE BORROWER INDEBTEDNESS

Each October, as an aid for student loan exit counseling, MGA calculates the average borrower indebtedness for students at those schools that request the information. This information fulfills the requirements as stated in the *Common Manual*, Chapter 4: School Participation, specifically 4.4.C Exit Counseling, which reads in part:

"The school must ensure the information on the following subjects is provided to the student borrower during exit counseling:"

"Sample monthly repayment amounts based on a range of levels of student indebtedness or on the average indebtedness of Stafford loan borrowers at the same school or in the same program of study at the same school."

We can provide:

- An overall average.
- An average based on undergraduate students.
- An average based on graduate students.

The averages are based on all borrowers with Stafford loans guaranteed by MGA that graduated or withdrew from your school during the period of July 1, 2005, through June 30, 2006. If you are interested in obtaining your school's average borrower indebtedness, please contact Stacy Cardwell at extension 36074 or via email at cardwells@michigan.gov.

COHORT DEFAULT RATES: NATIONAL AND MICHIGAN SCHOOLS

In September, ED released the 2004 Cohort Default Rates (CDR). The national CDR was 5.1 percent, an increase of .8 percent. The CDR for all the schools in the state of Michigan is 4.2 percent. MGA has issued Certificates of Achievement to those schools that reduced their CDR by two percent from their 2003 CDR. Certificates of Achievement were also sent to schools that have had a CDR of less than ten percent for the last three consecutive years. Award of Excellence certificates were sent to schools that have had a CDR below five percent for the last three consecutive years. [Attached](#) to this issue of *Educational Loan Notes* is a comparison of the national cohort default rates for the past three fiscal years broken down by school sector. A comparison of Michigan schools' cohort default rates for the past three years is also attached.

2006 COMMON MANUAL AND WEB SITE AVAILABLE

The Common Manual Governing Board recently announced the availability of the *2006 Common Manual: Unified Student Loan Policy* and the launch of a new *Common Manual* Web site located at www.commonmanual.org. Typically released in July, the 2006 edition was delayed to include as many of the changes as possible resulting from the Higher Education Reconciliation Act (HERA). MGA distributed paper copies and CDs of the 2006 Common Manual to all schools and lenders that placed an order through MGA. If you did not receive your copy, please contact Stacy Cardwell at extension 36074 or via email at cardwells@michigan.gov.

A FOND FAREWELL

Justin Draeger, formerly of the MGA Customer Services Unit, has accepted a position as Assistant Director for Communications with the National Association of Student Financial Aid Administrators (NASFAA) effective October 10, 2006. Justin was with MGA for over two and one-half years and in that time

(Continued on the next page.)

took a strong interest in default aversion, coordinating several projects for MGA. He was also instrumental in the redesign of the Student Financial Services Bureau Web site and of course was a school favorite to call if help was needed with a loan. He will be missed, but we wish him well in his new endeavor.

MGA COLLABORATES TO HELP DISADVANTAGED MICHIGAN STUDENTS

In partnership with all of Michigan's 15 public universities, the University of Michigan's School of Social Work, the Department of Labor and Economic Growth, and *Partnership for Learning*, the Michigan Guaranty Agency is helping to promote college awareness to 13,267 low-income, underrepresented students in 38 target school districts throughout the state.

As part of the Michigan GEAR UP Project, this initiative will supplement the *Martin Luther King - Cesar Chavez - Rosa Parks College Day* Program, an existing state-funded program, by providing low-income students and families with the following:

- Academic advising
- Student mentoring
- Financial aid information
- Career exploration
- Visits to colleges throughout the state
- Standardized test preparations
- Educational transitions workshops
- Introductions to new and emerging technologies
- College preparation and planning publications

While many states competed for these limited federal monies, Michigan is proud to be one of seven states selected for this exciting new initiative.

MGA will provide professional development opportunities for middle school and high school counselors and educators to enhance their skills and abilities in presenting financial aid opportunities along with providing financial aid workshops to the 38 targeted school districts. For more information regarding the Michigan GEAR UP/College Day Project, please contact Stephanie Bogard at extension 12101 or via email at bogards1@michigan.gov.

COLLEGE GOAL SUNDAY 2007 – IT'S NOT THAT FAR AWAY

February 11, 2007, is the date for College Goal Sunday. Now in its fourth year in Michigan, College Goal Sunday will provide students and parents with an opportunity to receive free assistance with completing the Free Application for Federal Student Aid (FAFSA). Michigan college and university financial aid professionals will be available to meet individually with families, and at some sites, computers will be available so families can file online. The event is from 2:00 p.m. to 4:00 p.m. Students and parents are welcome to stop by anytime. Again this year, there will be a drawing for scholarships that students can use at any eligible Michigan postsecondary institution.

College Goal Sunday will be hosted at 26 sites across Michigan. The event will be staffed by over 250 student financial aid professionals volunteering their time to assist students with gaining access to higher education. [Attached](#) to this issue of *Educational Loan Notes* is the list of locations.

If you have questions concerning College Goal Sunday, please contact Peggy LaFleur at extension 38319 or via email at lafleurp@michigan.gov.

SPECIAL ALLOWANCE RATES

The new special allowance rates have been released by the Office of Federal Student Aid. The average of the bond equivalent rates of the 91-day Treasury bills auctioned during the quarter ending September 30, 2006, is **5.05** percent. Also, the average of the bond equivalent rates of the quotes of the three-month commercial paper (financial) rates in effect for each of the days in the quarter ending September 30, 2006, is **5.45** percent.

[Attached](#) to this issue of *Educational Loan Notes* are special allowance charts with rates based on the 91-day Treasury bill average and the three-month commercial paper average for the quarter ending June 30, 2006. For questions, please contact Betty Calloway at callowayb@michigan.gov or extension 39639.

SPECIAL ALLOWANCE ON TAX-EXEMPT LOANS

ED has published Dear Colleague Letter (DCL) FP-06-15 which provides clarification on the application of the interim final regulations published on August 9, 2006, regarding the payment of special allowance at the 9.5 percent minimum return rate for certain loans made or acquired by lenders using funds from a tax-exempt obligation.

The August 9, 2006, interim final regulations describe the new requirements governing special allowance payments contained in the Taxpayer-Teacher Protection Act (TTPA) of 2004 and the Higher Education Reconciliation Act of 2005. They also explain the requirements that were in effect under the Higher Education Act prior to the enactment of the TTPA, under prior regulations, and under ED policy guidance. The interim final regulations became effective on September 8, 2006, and apply directly to transactions that occur on or after that date.

A copy of the DCL may be accessed at <http://www.ifap.ed.gov/dpcletters/FP0615.html>. The DCL also contains a link to a summary of the interim final regulations.

If you have questions regarding this matter please contact Betty Calloway at extension 39639 or via email at callowayb@michigan.gov.

CHANGE IN MONTHLY PAID-IN-FULL SWEEP

An enhancement has been made to the month-end Paid-in-Full (PIF) process to exclude loans that have been rehabilitated or repurchased within the last 180 days. The current PIF sweep selects loans that have been in repayment for more than 12 years (17 years for consolidation loans) and have had no reported outstanding balance on the loan from the lender for more than four years. The current sweep includes rehabilitated and repurchased loans and can cause these loans to be subject to a PIF status within the same month. Thus lenders are not provided adequate time to report on the loan. Federal regulations say lenders must be given 180 days from the rehabilitation or repurchase

date to report on the loan's repayment status and outstanding balance.

The change now allows for loans that have been rehabilitated or repurchased for over 180 days and that also meet the current existing criteria to be selected to be marked paid-in-full. This is because 180 days is considered sufficient time for the lender to report on the loan's repayment status and outstanding balance.

If you have questions regarding this matter, please contact Betty Calloway at extension 39639 or via email at callowayb@michigan.gov.

THE "ED" PIPELINE

Following is a description and link to some of the most recent ED correspondence for schools and lenders.

Dear Partner **September 2006** **GEN-06-16**

This is the 2007-08 Publication Update. It includes FAFSA and *FAFSA on the Web Worksheet* information.

Dear Partner **September 2006** **GEN-06-17**

This is a copy of a letter that has been sent to institutions ED has identified whose primary accrediting agency does not have distance education within its scope of recognition.

LENDER LIST UPDATES

School personnel continuing to use their paper copy of MGA's "Participating Lender List" should record the following actions on the list dated May 12, 2006. Please make the appropriate changes in all sections of the list as needed.

To access the most current lender information and eliminate the need for manual updates, use the electronic version of MGA's "Participating

(Continued on the next page.)

Lender List” available at mgaloan.com. Select “Financial Aid Professionals,” and then “FAA Resources.” If you have any questions regarding these updates, please contact Pat Fromm at extension 36076 or via email at frommp@michigan.gov.

Address Changes

Chase-JPMorgan Chase Bank, 818590, c/o EdFinancial Services, 298 N. Seven Oaks Drive, Knoxville, TN 37922

edamerica, 831453, c/o EdFinancial Services, 298 N. Seven Oaks Drive, Knoxville, TN 37922

SCHOOL LIST UPDATES

The following changes should be recorded by lenders on MGA’s “Active Michigan School List,” dated July 28, 2006. If you have any questions, please contact Stacy Cardwell at extension 36074 or via email at cardwells@michigan.gov.

New Title IV Eligibility

ITT Technical Institute, Canton, 010627-04
Located at 1905 South Haggerty Road, Canton, MI 48100-2025. The contact person is Paula Strachan, Director of Finance. Paula’s telephone number is 800-247-4477, her fax number is 734-397-1945, and her email address is pstrachan@itt-tech.edu.

Contact Information Change

Chic University of Cosmetology, Kalamazoo, 008178-01
Don Florinchi’s email address is don.florinchi@chicuniversity.com.

Michigan School of Professional Psychology, Farmington Hills, 021989-00
Sandy Butterworth’s email address is sbutterworth@mispp.edu.

Web Site Update

Michigan School of Professional Psychology, Farmington Hills, 021989-00
The new Web site is www.mispp.edu.

“Q” AND “A”

DEFERMENTS

What is a deferment?

A deferment is a tool available to borrowers to help them meet their loan repayment obligations. A borrower is entitled to defer principal payments on a FFELP loan when certain applicable eligibility criteria are met.

If a borrower knows they will not be able to make payments, should they apply for a deferment as soon as they graduate or withdraw from school?

No, a borrower cannot receive a deferment on any loan until they have entered repayment on that loan. If a borrower graduates or falls below half-time status, the borrower may apply for a deferment on any previous loans where the entire grace period was used and for which immediate payments will be required.

Who authorizes or grants a deferment?

The lender or lender servicer grants all deferments for borrowers.

What is necessary for a borrower to submit to obtain a deferment?

In most cases, the borrower must request a deferment, either verbally or in writing, and provide the lender with documentation necessary to support the borrower’s eligibility for the deferment. If at any time during the collection efforts the lender becomes aware of circumstances indicating the borrower may qualify for a deferment, the lender must explain the deferment criteria and make the deferment option available to the borrower.

How much time does a lender have to respond to a deferment request?

A lender is required to act on any borrower’s request for deferment within 30 days of its receipt. If a lender does not act within 30 days of a borrower’s deferment request, any claim filed by the lender on the loan for which a deferment was requested may be returned or rejected by the guarantor.

(Continued on the next page.)

Can a lender refuse a borrower a deferment if the borrower meets the necessary criteria?

No, a borrower cannot be denied a deferment if he or she meets the necessary criteria. In other words, borrowers are entitled to deferments if they meet the necessary criteria.

What are the criteria a borrower must meet before he or she is deemed eligible for a deferment?

There are several conditions under which borrowers qualify for deferment. Deferment eligibility varies depending on the type of loan, the type of deferment, and the date on which the borrower received his or her first FFELP loan.

What are the different types of deferments?

A borrower may apply for the following types of deferments:

- * ACTION Program Deferment
 - Armed Forces Deferment
 - Economic Hardship Deferment
 - Graduate Fellowship Deferment
 - In-School Deferment and Summer Bridge Extension
 - Internship/Residency Deferment
- * Military Deferment
 - National Oceanic and Atmospheric Administration Corps Deferment
- * Parental Leave Deferment
- * Peace Corps Deferment
- * Public Health Service Deferment
 - Rehabilitation Training Program Deferment
- * Tax-exempt Organization Volunteer Deferment
- * Teacher Shortage Area or
- * Targeted Teacher Deferment
- * Temporary Total Disability Deferment
 - Unemployment Deferment
- * Working Mother Deferment

* This deferment is no longer offered to “new borrowers after July 1, 1993” as defined in the *Common Manual* 11.1.A.

What are the requirements for each deferment type?

The Common Manual lists each type of deferment along with the documentation required for authorized deferment, eligibility criteria, and

length of time the deferment will exist. In addition, the HEROES Act may impact the Armed Forces Deferment. See section H.4 of the *Common Manual* about a statutory or regulatory waiver authorized by the HEROES Act for those requirements.

What happens if a student borrower has a loan that is already delinquent?

If a lender learns that a delinquent borrower may be eligible for a deferment, the lender must explain to the borrower the conditions for obtaining a deferment. The lender must also grant the deferment to a borrower whose delinquent loan is not yet in default if the lender receives the documentation prior to default.

What happens if a student borrower has a loan in default, but learns that they were eligible for a deferment?

A lender **MAY** grant a deferment to a borrower whose loan is in default if:

1. The lender receives the necessary documentation indicating the borrower's deferment eligibility.
2. The lender agrees to repurchase the loan from the Michigan Guaranty Agency.
3. The borrower makes payment arrangements acceptable to the lender that resolve the default prior to the payment of the default claim by the guarantor.

Where can I learn more about deferments?

See the *Common Manual*, Chapter 11 for more information on authorized deferments. Deferments can be a powerful tool in helping students meet their financial aid obligations and avoid the consequences of student loan default.

Have a question you would like to ask? Contact Jim Peterson at extension 36944 or via email at petersonj@michigan.gov to submit your question or to suggest a topic you would like to see discussed in a subsequent issue of *Educational Loan Notes*.

Calendar of Upcoming Events

October 2006

30-Nov. 2 Federal Student Aid Conference
(formerly known as EAC)
Royal Pacific Resort
Orlando, Florida

December 2006

25-26 MGA offices closed

November 2006

7 MGA offices closed

10 MGA offices closed

14 High School Counselor Video Conference
Sites across Michigan

15 Fall School Workshop
Schoolcraft College
VisTaTech Center
Livonia, Michigan

16 Fall School Workshop
Grand Rapids Community College
M-TEC Center
Grand Rapids, Michigan

21 Default Aversion Symposium
Kellogg Center
East Lansing, Michigan

23-24 MGA Offices Closed

28-Dec. 2 Federal Student Aid Conference
(formerly known as EAC)
Paris Las Vegas
Las Vegas, Nevada

If you need further information or wish to submit items for the calendar, please contact Jim Peterson, Editor, at extension 36944 or via email at petersonj@michigan.gov.

Direct Loan and Federal Family Education Loan Programs
Institutional Default Rate Comparison of
FY 2002, 2003, and 2004 Cohort Default Rates

Note: These rates are accurate only as of September 11, 2006.

	FY 2002				FY 2003				FY 2004			
Institution Type	# of Schools	Borrower Default Rate	# of Borrowers Defaulted	# of Borrowers Entered Repayment	# of Schools	Borrower Default Rate	# of Borrowers Defaulted	# of Borrowers Entered Repayment	# of Schools	Borrower Default Rate	# of Borrowers Defaulted	# of Borrowers Entered Repayment
Public	1,681	5.1%	66,297	1,295,318	1,663	4.3%	59,460	1,356,086	1,647	4.7%	70,864	1,488,978
Less than 2 yrs	165	6.7%	396	5,851	159	5.8%	359	6,182	153	5.7%	390	6,808
2-3 yrs	908	8.5%	25,695	299,379	895	7.6%	25,259	328,730	889	8.1%	31,476	386,474
4yrs(+)	608	4.0%	40,206	990,088	609	3.3%	33,842	1,021,174	605	3.5%	38,998	1,095,696
Private	1,837	3.2%	22,019	669,099	1,812	2.8%	19,523	695,576	1,790	3.0%	22,434	741,372
Less than 2 yrs	65	9.7%	289	2,954	55	7.9%	265	3,326	55	9.0%	353	3,881
2-3 yrs	248	6.1%	1,348	21,959	247	6.3%	1,477	23,160	233	7.4%	1,526	20,539
4yrs(+)	1,524	3.1%	20,382	644,186	1,510	2.6%	17,781	669,090	1,502	2.8%	20,555	716,952
Proprietary	2,000	8.7%	37,269	423,631	1,950	7.3%	36,477	493,895	1,963	8.6%	50,729	588,432
Less than 2 yrs	1,131	10.1%	11,092	108,748	1,054	7.9%	9,302	117,166	1,046	8.9%	11,755	130,810
2-3 yrs	681	9.2%	14,801	160,432	688	8.0%	14,469	179,553	697	9.9%	20,346	205,000
4 yrs(+)	188	7.3%	11,376	154,451	208	6.4%	12,706	197,176	220	7.3%	18,628	252,622
Foreign	436	2.0%	111	5,434	411	1.8%	108	5,844	434	1.5%	100	6,662
Unclassified	1	0.0%	0	294	1	0.0%	0	31	2	5.5%	1	18
Total	5,955	5.2%	125,696	2,393,776	5,837	4.5%	115,568	2,551,432	5,836	5.1%	144,128	2,825,462

All State of Michigan Schools
Cohort Default Rates
Years 2004, 2003, and 2002

Type	Number of Schools	Number of Defaulted Borrowers	Number of Borrowers Entering Repayment	Cohort Default Rate 2004	Cohort Default Rate 2003	Cohort Default Rate 2002
Public 4 -Year	15	1,176	45,949	2.6%	2.5%	3.4%
Public 2 - Year	27	841	12,244	6.9%	5.8%	8.5%
Private 4 - Year	42	1,235	29,182	4.2%	4.4%	5.9%
Proprietary	27	796	8,956	8.9%	5.0%	8.6%
Totals	111	4,048	96,331	4.2%	3.7%	5.1%

9/14/2006

COLLEGE GOAL SUNDAY

FEBRUARY 11, 2007

MICHIGAN LOCATIONS

Auburn Hills/Pontiac

Oakland Community College
Auburn Hills Campus
Site Coordinator – Wilma Porter
wporter@oaklandcc.edu

Battle Creek

Kellogg Community College
Site Coordinator – Bernice LaFleur
lafluerb@kellogg.edu

Benton Harbor

Lake Michigan College
Site Coordinator – Anne Tews
tews@lakemichigancollege.edu

Dearborn

University of Michigan- Dearborn
Site Coordinator – Sally Foster
sfoster@umd.umich.edu

Detroit

Wayne State University
Site Coordinator – Daisy Cordero
dcordero@osfa.wayne.edu

Detroit

LA SED (Latin Americans for Social
& Economic Development, Inc.)
Youth Center
Site Coordinator – Daisy Cordero
dcordero@osfa.wayne.edu

Escanaba

Bay de Noc Community College
Site Coordinator – Sue Hebert
heberts@baycollege.edu

Flint

University of Michigan- Flint
Site Coordinator – Lori Vedder
lvedder@umflint.edu

Fremont

Newaygo County Regional
Educational Service Agency
Site Coordinator – Lisa Portenga
lisap@tfacf.org

Grand Rapids

Grand Valley State University
Pew Campus
Site Coordinator – JoAnn Litton
littonj@gvsu.edu

Holland

Davenport University
Site Coordinator - David DeBoer
David.DeBoer@davenport.edu

Jackson

Jackson High School
Site Coordinator – Lois Hardy
loish@arbor.edu

Kalamazoo

Kalamazoo Valley Community
College
Site Coordinator – Bob Bechtel
rbechtel@kvcc.edu

Lansing

Lansing Community College
West Campus
Site Coordinator – Peggy LaFleur
lafleurp@michigan.gov

Livonia

Schoolcraft College
Site Coordinator – Regina Mosley
rmosley@schoolcraft.edu

Marquette

Northern Michigan University
Site Coordinator – Christine Larson
chlarson@nmu.edu

Monroe

Monroe County Community College
Site Coordinator – Tracy Vogt
tvogt@monroeccc.edu

Mt. Pleasant

Central Michigan University
Site Coordinator – Kim Roe
Roelkg@cmich.edu

Muskegon

Muskegon Community College
Site Coordinator – Bruce Wierda
Bruce.Wierda@muskegoncc.edu

Port Huron

St. Clair County Community College
Site Coordinator – Jo Cassar
jcassar@sc4.edu

Roscommon/Houghton Lake

Kirtland Community College
Site Coordinator – Christin Horndt
horndtc@kirtland.edu

Saginaw/Bay City/Midland

Delta College
Site Coordinator – David Urbaniak
drurbani@delta.edu

Sault Ste. Marie

Lake Superior State University
Site Coordinator – Dan Arnold
darnold@lssu.edu

Southfield

Lawrence Technological University
Site Coordinator – Mark Martin
Mark.martin@ltu.edu

Traverse City

Northwestern Michigan College
Site Coordinator - Sally King
sking@nmc.edu

Ypsilanti/Ann Arbor

Eastern Michigan University
Site Coordinator – Jennifer Tremewan
jtremewan@emich.edu

**91-DAY TREASURY BILL
SPECIAL ALLOWANCE RATES
FOR
QUARTER ENDING SEPTEMBER 30, 2006**

	Loan Rate	Special Allowance Annual Rate	SA Quarterly Rate	Special Allowance Category
SA	7%	.01625	.004063	<u>SA</u> - loans made before 10/01/81.
SB	7% 8%	.0155 .0055	.003875 .001375	<u>SB</u> - Stafford (subsidized) and PLUS loans made on/after 10/01/81, but before 10/17/86, or loans made on/after 10/17/86, but before 11/16/86, for enrollment periods beginning before 11/16/86.
SD	7% (FVAR7) 7.94% (EVAR FVAR8, FVAR9, FVARX) 8% 8.09% (FVAR10)	.0130 .0036 .0030 .0021	.003250 .000900 .007500 .000525	<u>SD</u> - Stafford (subsidized) and PLUS/SLS loans made on/after 10/17/86, but prior to 11/16/86, for enrollment periods beginning on/after 11/16/86. Stafford (subsidized) and PLUS/SLS loans made on/after 11/16/86, but before 10/01/92. Also, for Stafford (unsubsidized) loans made prior to 10/01/92, for periods of enrollment beginning on/after 10/01/92. * Fixed-rate 7% Stafford Loans, fixed-rate 8% Stafford loans and 8/10 Stafford loans (prior to 49 th month of repayment), fixed-rate 9% Stafford loans and 8/10% Stafford loans (on/after 49 th month of repayment (1992 amendments). ** Fixed-rate 8/10 Stafford loans (on/after 49 th month of repayment (1992 amendments).
SE	7% (FVAR7) 7.94% (FVAR8, FVAR9, FVAR 10 & EVAR)	.0115 .0021 .0015	.002875 .00525 .000375	<u>SE</u> - Stafford loans made on/after 10/01/92, but prior to 07/01/94, regardless of the enrollment period, or loans made after 07/01/94, for an enrollment period ending prior to 07/01/94. Also, for PLUS loans made on/after 10/01/92, but before 07/01/94. Also, for SLS loans made on/after 10/01/92, but before 07/01/94; or <i>certified</i> before 07/01/94, and <i>disbursed</i> after 07/01/94. Fixed-rate 7% Stafford loans (1992 Amendments).
SG	Stafford Var (7.94%)	.0021	.000525	<u>SG</u> - Stafford loans made on/after 07/01/94, but before 07/01/95, or loans made on/after 07/01/95, but before 07/01/98, during periods of repayment or forbearance. Also, for PLUS loans made on/after 07/01/94, but before 07/01/98.
SH	Stafford Var (7.24%)	.0021	.000525	<u>SH</u> - Stafford loans made on/after 07/01/95, but before 07/01/98, <i>only</i> during the in-school, grace, and deferment periods. Also, for PLUS loans made on/after 07/01/98, but prior to 01/01/00.
SJ	Stafford Var (6.54%)	.0071	.001775	<u>SJ</u> - Stafford loans made on/after 07/01/98, but prior to 01/01/00, <i>only</i> during the in-school, grace, and deferment periods. *All other periods.
SK	Stafford Var (7.14%)	.0071	.001775	<u>SK</u> - Stafford loans made on/after 07/01/98, but prior to 01/01/00, <i>only</i> during the repayment and forbearance periods.

PLEASE NOTE: The 91-day T-bill average (bond equivalent rate) is **5.05 %** for the **third quarter** of **2006**. This results in the following yields:

SA 5.05% plus 3.50% = 8.55%	SG 5.05% plus 3.10% = 8.15%
SB 5.05% plus 3.50% = 8.55%	SH 5.05% plus 2.50% = 7.55%
SD 5.05% plus 3.25% = 8.30%	SJ 5.05% plus 2.20% = 7.25%
SE 5.05% plus 3.10% = 8.15%	SK 5.05% plus 2.80% = 7.85%

**THREE-MONTH COMMERCIAL PAPER
SPECIAL ALLOWANCE RATES
FOR
QUARTER ENDING SEPTEMBER 30, 2006**

	Loan Rate	Special Allowance Annual Rate	SA Quarterly Rate	Part IV: Special Allowance Category Column C
CA	Stafford Var (6.54%)	.0065	.01625	<u>CA</u> - Subsidized/unsubsidized Stafford loans made on/after 01/01/00, but prior to 07/01/06, only during the in-school, grace, and deferment periods. *All Stafford loans made on or after 07/01/06
CB	Stafford Var (7.14%)	.0065	.001625	<u>CB</u> - Subsidized/unsubsidized Stafford loans made on/after 01/01/00, but prior to 07/01/06, during the repayment and forbearance periods only .
CD	PLUS Var (7.94%)	.0115	.000375	<u>CD</u> - PLUS loans made on/after 01/01/00, but prior to 04/01/06.
CE	Stafford Var (6.54%) Fixed	.0065 .0039	.001625 .00975	<u>CE</u> - Subsidized/unsubsidized Stafford loans made on/after 04/01/06, only during in-school, grace, and deferment periods and which are subject to the repayment of excess interest as required under the Higher Education Reconciliation Act (HERA).
CF	Stafford Var (7.14%) Fixed 6.8%	.0065 .0099	.001625 .002475	<u>CF</u> - Subsidized/unsubsidized Stafford loans made on/after 04/01/06, during the repayment and forbearance periods only and which are subject to the repayment of excess interest as required under the Higher Education Reconciliation Act (HERA).
CH	PLUS Var (7.94%) Fixed 8.5%	.0015 -.0041	-.000375 -.001025	<u>CH</u> - PLUS loans made on/after 04/01/06, and which are subject to the repayment of excess interest as required under the Higher Education Reconciliation Act (HERA).

PLEASE NOTE: The three-month Commercial Paper average (financial) is **5.45%** for the **third quarter** of 2006. This results in the following yields:

CA, CE 5.45% plus 1.74% = 7.19%
CB, CF 5.45% plus 2.34% = 7.79%
CD, CH 5.45% plus 2.64% = 8.09%